

COHESION POLICY 2021-2027

A further step towards flexibility & simplification



Administrative cost & burden in the ESIF 2014-2020

- § Study launched aimed at **establishing a new baseline** on administrative costs and burden of the current ESIF programming period,
- § Common approach for all five ESI Funds.
- § Responses from 818 authorities representing a response rate of 39% of ESIF authorities & 269 responses from beneficiaries.
- § Verifications with programme authorities & national coordination bodies, plausibility checks conducted.
- § Baselines for administrative burden established using a sample based analysis.

Administrative cost & burden in the ESIF 2014-2020 (2)

Key findings:

- § Modest administrative costs: 4% = EUR 26 bio or 610.000 person years over the programming period for a EUR 646 bio budget → **NOT excessive.**
- § **Financial controls & selection of operations** = most costly (45% of costs concern financial management, control & audit).
- § Cost & burden expressed in terms of monetary resources (EUR) and workload (FTEs)
- § Administrative burden **lower than often perceived** (11% of total eligible funding/EUR 107.000 or 1.5 FTE per million EUR).

Administrative costs & burden in ESIF (3): Outlook post 2020

- § New CPR Contains **80 simplification measures**.
- § Baselines **to review 8 key simplifications** (light programme review, no designation, no rules for revenue generating projects/major projects, reduced verifications, extended use of SCOs, simplified reporting)
- § Reductions of administrative costs by **7% are expected**
- § **Most effective: increased uptake of SCOs** – reduction of verifications
- § **SCOs have the highest potential** for further reductions (can go up to 26% of adm.costs)

Administrative costs & burden in ESIF

2014-2020 (4)

- § ERDF administrative costs are on average 22 600 Euro per million Euro or 0.53 FTE per million Euro of eligible funding.
- § INTERREG programmes have generally higher administrative costs and workload due to their complex programme geography.
- § Most demanding tasks: selection of operations, verifications for reimbursement of beneficiaries and ensuring an adequate audit trail.
- § Highest potential for reduction:
 - Reducing the number of verifications may reduce the workload by 2 to 4%.
 - Greatly expanding the scope of SCO's to cover 50% of the budget would allow to decrease the workload by 12% to 18%.

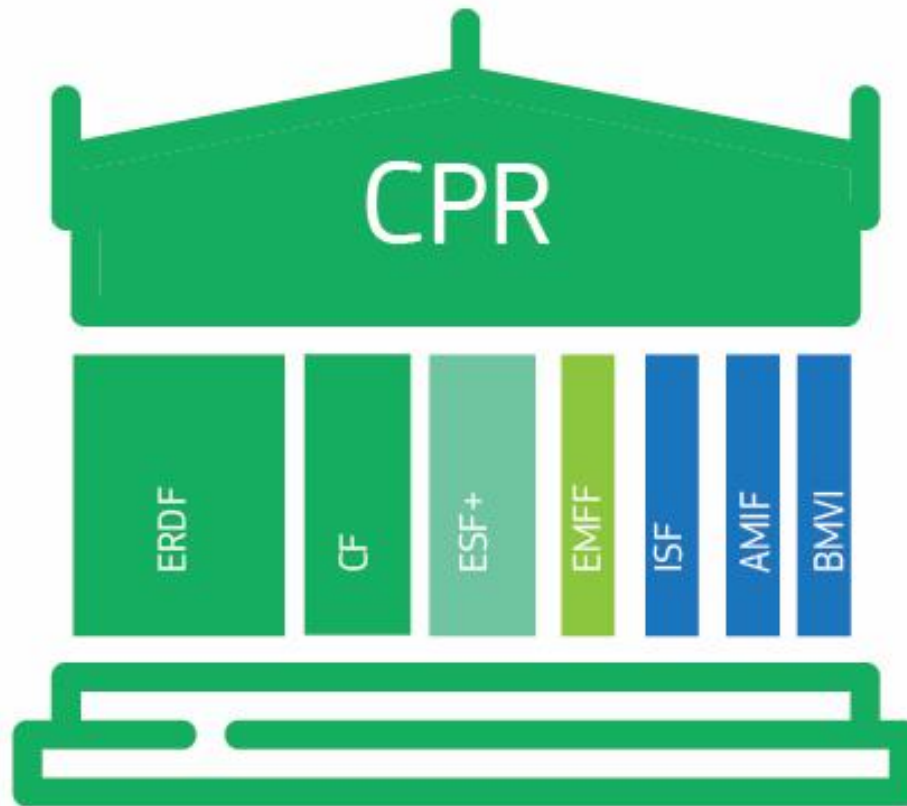
Content

- § Legal architecture
- § More modern policy
- § Faster and more strategic programming
- § Faster and simpler delivery
- § Streamlined audit work
- § Interreg

Legal architecture



7 FUNDS - 1 REGULATION



- § More coherent
- § Simpler to learn
- § Simpler to combine

More modern & flexible policy



Thematic menu

What's new?

- Shorter, flexible menu of 5 policy objectives, breaking sectoral silos
- A new, place-based, cross-cutting policy objective for ERDF - PO 5
- Capacity building and cooperation with partners within and outside Member States - horizontal priorities in all specific objectives
- Additional specific objectives for Interreg

Why helpful?

- Limits cases where integrated actions are programmed under more than one PO

ERDF THEMATIC CONCENTRATION

- § Maintaining spending in the key areas for growth and jobs
- § At national level based on GNI per head => flexibility

For countries with:	minimum % PO1 (<i>"smarter Europe"</i>)	minimum % PO2 (<i>"greener, low carbon Europe"</i>)
GNI below 75%	35%	30%
GNI 75-100%	45%	30%
GNI above 100%	60%	PO1 + PO2 min. 85%

- § 6% of budget to urban development, delivered through local development partnerships (can overlap with above)

Changes in ETC

- § Cross-border programmes: integrated development of cross-border regions
- § **NEW!** Interregional innovation instruments
- § Specific component for the outermost regions
- § Reinforced maritime cooperation
- § **NEW!** addition of co-operation outside the EU (incorporation of IPA/ENI)
- § **NEW!** European Cross-Border Mechanism

Transfers

Flexibility to define delivery tools *(Article 10 and 21, CPR)*

§ **NEW!** Delivery through InvestEU

- Up to 5% of the allocation of a Fund
- In the Partnership agreement or any time during implementation
- Not subject to decommitment

§ **NEW!** Transfers between shared management Funds or to any instrument under direct/indirect management

- Implementation in accordance with the rules of a Fund or instrument to which resources are transferred
- Up to 5% of a programme budget
- Transfers 'for the benefit of a Member State'
- Any time during implementation

Faster & more strategic programming



Programming

What's new?

- Simplified, more focused and more strategic programming
- Performance-oriented: Mid-term review in 2025
- Flexibility: No Commission decision needed for up to 5 % of funding
- Clarity: PA and programme templates as part of CPR

What's out?

- Changes of the PA during implementation
- Overlaps between PA and programmes
- Separate procedure for technical adjustment (combined with the performance review)
- Lengthy details and descriptions

Faster & simpler delivery



Faster & simpler delivery

- § **Extended** possibility to use **simplified cost options (SCOs)** and financing not linked to costs schemes
- § **Reduced** number of **controls and audits** and increased cross-reliance on audits
- § Reintroduction of **n+2 rule** and reduced level of prefinancing - faster start of the programmes and quicker implementation
- § Reinforced **visibility and communication** provisions à operations of strategic importance
- § **No specific rules** for operations generating **net revenue**
- § **No major projects**

New approach to technical assistance

What's new?

- **Programme management related TA** – reimbursed exclusively through flat rates
- In addition, **TA to reinforce capacity of the authorities, beneficiaries and partners** – implemented through financing not linked to costs.

What's out?

- Reimbursements for the TA based on real costs

TA for programme management

Member States' TA - flat-rate (*Articles 30 and 31 CPR*)

§ Supports actions necessary for the effective administration and the use of the Funds

- Scope of support unchanged (may finance actions for earlier/past period)
- Each Fund may support TA eligible under any other Fund

§ NEW! TA will be reimbursed by the Commission proportionally to the progress in implementation, as a top up to the payment application:

- 2.5% for the ERDF and the Cohesion Fund
- 4% for the ESF+ (5% for support addressing material deprivation)
- 6% for the EMFF, AMIF, ISF and BMVI

No more reimbursement based on real costs!

TA for capacity building

Member States' TA - Financing not linked to costs (*Article 32 CPR*)

- § It is additional support to the programme-related TA
- § It covers actions to reinforce the capacity necessary for the effective administration and use of the Funds of:
 - Member State authorities,
 - beneficiaries, and
 - relevant partners.
- § NEW! Implemented exclusively through financing not linked to costs (Article 89 CPR). Reimbursement triggered by conditions, results, or intermediate deliverables.
 - § See: templates in Annexes V and VI CPR

FINANCIAL SUPPORT FROM THE FUNDS

Union contribution to a programme

What's new?

- New forms of reimbursement of the Union contribution to a programme:
 - financing not linked to costs
 - reimbursement based on simplified cost options

What's less?

- Reimbursement based on real costs and corresponding paperwork

FINANCIAL SUPPORT FROM THE FUNDS

Member States' support to beneficiaries

What's new?

- Extension of the **obligatory use** of the simplified cost options for operations up to 200 000 EUR of total cost
- off-the-shelf flat rate of up to **7% of eligible** direct costs to cover indirect costs
- **Additional** off-the-shelf method to calculate direct staff costs

What's out?

- Limitations linked to the public procurement when applying the SCOs
- Newly established calculation method (however those established for 2014-2020, can be re-used)
- Keeping invoices or accounting records for the SCOs

Eligibility

What's new?

- Flexibility when responding to natural disasters
- Separate and clearer rules on durability and relocation
- For operations below €5m of total costs, VAT is eligible. In all other cases, VAT is ineligible.

What's out?

- Specific rules on the revenue generating operations
- Restrictions on location of operations
- Detailed separate provisions for PPP schemes

Eligibility

§ New expenditure added to a programme ➡ eligible from the date of submission of the programme amendment

- Clarification in the provision: new expenditure = a new type of intervention added in the programme – for all the Funds except for the ESF+
- **NEW!** New expenditure related to a natural disaster will be eligible from the date when the natural disaster occurred.

§ Eligibility – location:

- applied to the ERDF and on a simplified, pro rata basis.
- **NEW!** No restrictions for operations outside the Member State/Union provided they contribute to the programme's objectives.

Streamlined Audit work



Simplifying Management and Control

Simplification for all, but control requirements adjusted to the identified level of risks:

- All programmes to benefit from simplification
- For some programmes - based on objective criteria and low risks: further simplification / proportionality –
'Enhanced proportionate arrangements' – Art. 77 to 79

Simpler management and control

What's in?

- Accounting function will not duplicate controls: no checks at the level of beneficiaries
- Post-2020 : risk-based sample
- Single audit arrangements (Omnibus wording kept)
- More proportionate system for low-error-rate programmes: reliance on national systems, no system audit, audit sample of maximum 30 operations

What's out?

- designation procedure: roll-over of existing authorities and systems
- Administrative verification of 100% of payment claims.
- Multiple layers of control: Certifying Authorities replaced by an accounting function (may be placed within the MA, confirmation of legality & regularity of expenditure becomes a duty of the MA)



INTERREG



Components

- § Cross-border cooperation (component 1)
- § Transnational cooperation and maritime cooperation (component 2)
- § Outermost regions cooperation (component 3)
- § Interregional cooperation (component 4)
 - § **INTERACT**
 - § **ESPON**
- § Interregional innovation investments (component 5)

Main simplifications

- § **No more designation of authorities**
- § **Fewer management verifications** —→ from almost 100% verifications of expenditure to verifications on the basis of a risk analysis
- § **Simplified cost options extended** (or even made obligatory).
- § **Proportionate audits:** Operations to be audited will be selected by the Commission using a common sample covering all programmes that have submitted financial information on time.

MCS Simplification

Non-application of the "Enhanced proportionate arrangements" (Art. 77-79 CPR), but:

- § A single common statistical sample for all programmes that submit their information on time (Art. 48 of ETC)
- § sample drawn by the Commission (by Oct 1) but audits of operations done by the relevant AAs
- § specific provisions for programme authorities (Art. 45 ETC on MA, Art. 46 ETC on accounting function, Art. 47 ETC on AA),
- § Additional audit work shall be requested when global residual error rate is above 2% (Art. 48 ETC)

**Thank you for
your attention.**

